Notice:

This document does not currently comply with Section 508 of the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 794d. The OIG is working to become fully compliant with the provisions of Section 508. If you need assistance with accessing the file, please contact the OIG's Office of Audit at (202) 927-5400, or **webmaster@oig.treas.gov** for an accessible edition of the report.

CUSTOMS ACE MANAGEMENT:
Improved Management of
Reengineering Needed

OIG-03-058   February 13, 2003

Office of Inspector General

****

The Department of the Treasury

Contents

Contents

Abbreviations

ACE	Automated Commercial Environment
ACS	Automated Commercial System
CMO	Customs Modernization Office
Customs	United State Customs Service
eCP	e-Customs Partnership
ELCM	Enterprise Life Cycle Methodology
GAO	General Accounting Office
IBM	International Business Machine
IAM	Increment Allocation Matrix
ITDS	International Trade Data System
OIG	Office Of Inspector General
OMB	Office of Management and Budget
PAT	Process Analysis Team
PGA	Participating Government Agency
SME	Subject Matter Expert

OIG

The Department of the Treasury
Office of Inspector General

Robert C. Bonner
Commissioner
U.S. Customs Service

The development of the Automated Commercial Environment (ACE) is a massive and multifaceted effort that is critical to the long-term success of the U.S. Customs Service (Customs) mission. ACE is planned to be a customer-oriented, account-centric process that provides real-time access to internal and external information through a secure global channel for travel and trade. The vision is for the Federal government to provide a "single window" for the trade on border cargo regulation to reduce the complexity, redundancy, and burden on the trade.

This audit was included in our annual audit plan and was performed to determine whether Customs commercial processes were appropriately reengineered prior to ACE software development. The purpose of this report is to make recommendations to improve the management of ACE development. We briefed the Deputy Customs Modernization Office (CMO) Director on our findings on September 20, 2002. Our audit work was performed from June 2002 through November 2002 at Customs headquarters as well as Customs and e-Customs Partnership (eCP) facilities in Springfield, Reston, and Alexandria, Virginia and trade meetings in Fairfax, Virginia. A more detailed description of our objective, scope and methodology is provided in Appendix 1.

Results in Brief

Our review was performed while system requirements were being developed for the second of the four ACE increments. The prime contractor, eCP was tasked with the responsibility to develop the detailed reengineered processes for the new ACE system.

There was insufficient detail identified in the development of the different increments to allow eCP to manage work and for Customs to measure the quality of contract deliverables. To better manage the work and contractor requirements, detailed expectations need to be specified in an Increment Allocation Matrix (IAM). In our opinion, there is a risk that in order to meet contract deadlines eCP may fail to provide the level of detail work necessary to complete ACE on time and within budget.

The CMO web portal is currently not available to all contractor and CMO employees. The purpose of the portal is to enable authorized access to Modernization Program information maintained in various systems, tools, and documents. The portal will allow Customs and contractor employees to review the status of work and communicate information related to ACE development.

Prior to the award of the prime contract, Customs performed a high level reengineering for a modernized trade system. However, subsequent events and additional Federal partners necessitate another reengineering effort. If agencies do not provide requirements and processes needed for ACE/ITDS reengineering then the system could cost more and not deliver all of the intended benefits.

We deferred opinion on the reengineering of ACE Selectivity since critical decisions still need to be made on the detailed requirements and functionalities. The Selectivity Process Analysis Team (PAT) goals and requirements were not well defined. During the audit a new lead for the Selectivity PAT was appointed. Developments of functionalities for Selectivity are scheduled throughout all four increments.

Background

The Customs Modernization Program is a 15-year, $5 billion effort to modernize Customs automated systems. The Modernization Program will develop and document repeatable processes, and update the Enterprise Life Cycle Methodology (ELCM). The ability of Customs to process the growing volume of imports while improving compliance with trade laws, depends heavily on successfully improving the trade compliance process and modernizing supporting automated systems. Therefore, the first effort is to replace the Automated Commercial System (ACS) with ACE to modernize Customs commercial programs. The processes, management, and ELCM developed for ACE will be used for subsequent modernization efforts. According to Customs, ACE will not only replace ACS, but will transform the way Customs does business. ACE will enable Customs to more efficiently process and monitor import and export shipments and related trade activity through trade accounts versus individual transactions. Also, ACE will enable Customs to release cargo more efficiently by integrating international law enforcement intelligence, commercial intelligence, and data mining results to focus efforts on high-risk importers and accounts.

Business process reengineering is a systematic, disciplined improvement approach that critically examines, rethinks, and redesigns mission-delivery processes in order to achieve dramatic improvements in performance in areas important to customers and stakeholders. From 1994 through 1999, Customs conducted reengineering efforts that resulted in high-level outcomes and basic functionalities for the new ACE system. On April 27, 2001, Customs awarded a five-year, $1.3 billion contract to eCP, a coalition of contractors led by International Business Machine (IBM) Global Services. The eCP summarized Customs reengineering results into 16 outcomes that drive the ACE solution (See Appendix 2).

The Trade Support Network was established in 1994 to be a forum for discussions regarding the redesign of Customs trade systems. There are over 120 members representing the trade community including importers, exporters, brokers, carriers, sureties, couriers,

software vendors, attorneys, and consultants. The International Trade Data System (ITDS) was initiated in 1995 as a project to implement the National Performance Review recommendation to develop a coordinated, government wide system for the collection, use, and dissemination of trade data. To manage the ITDS project an interagency Board of Directors was established to ensure coordination and collaboration among Federal agencies on trade interface policy, procedure, and issues. The mission of the board is to serve as a forum for harmonization of requirements and dispute resolution among Federal agencies involved with trade compliance. Currently, eCP is using the Trade Support Network and ITDS Board to gather and review requirements from the trade, and participating government agencies. The detailed requirements are being used to reengineer the new processes to provide the needed system functionalities. Appendix 3 shows the ACE functionalities by increment.

Findings and Recommendations

Finding 1   **Better Definition Of Incremental Expectations Needed**

There was not sufficient detail identified in the development of the different increments to allow the PATs to manage work and Customs to measure the quality of contract deliverables. If work requirements are not specific, the contractor has the opportunity to stop work to meet deadlines without having performed work at the level of detail needed under each increment.

The eCP prepared a System Requirements Document to begin establishing future system functionalities based upon their identification of key business areas. The System Requirements Document identifies what the system "should do" expressed in technical terms. PATs were formed to reengineer processes based on key business areas needed to provide the functionalities delivered by each increment. PATs are led by eCP with participation from Customs subject matter experts (SME). PATs are responsible for decomposition of system requirements to further define requirement specification sets for the "to-be" process.

There were several steps taken in developing the "to-be" business process.

- Structure teams for research into the "as-is" business processes, as well as changes suggested by the ACE system architecture.
- Gather ideas from subject matter experts, participating government agencies and the trade.
- Translate ideas into "to-be" process flows for each process area.
- Map "as-is" processes to the "to-be" business process for tracking.

An IAM is a management tool that can provide needed detail and improve communications. An IAM is currently not required from the prime contractor. An IAM details work requirements needed under each increment to provide the functionality introduced. A detailed IAM can better define expectations, controls shifts of processes between increments, and track legacy systems that will be eliminated or changed. Customs can use an IAM to compare work with contract requirements in order to evaluate the quality of work performed when determining the amount of bonus award.

We met with members participating in the PATs for the accounts, revenue, selectivity, release/declaration/cargo, external interfaces, and enforcement functional areas to determine how processes were being reengineered and requirement specification sets developed. Both the "as-is" mapping and the "to-be" mapping were similar. Differences for the "to-be" were not readily apparent since it was at a high level and detail continues to be developed. To understand the work performed by the PATs we requested a breakdown for the work scheduled under each of the increments and functionality being introduced. The contractor provided an IAM that had been prepared to illustrate work by increment, functionality, software interfaces, and legacy system decommissioning. The IAM breakdown was not in sufficient detail to allow us to validate if the work required was performed. Descriptions used by the contractor had general terms, such as, "initial...","establish...", and "enhance..." to describe the work, making it difficult to measure. Allowing the contractor to be vague in the description of work required makes it more difficult for

Customs to effectively manage the contract. Additionally, reviewing an IAM that clearly illustrates system interfaces and the decommissioning of legacy systems would allow users to identify potential concerns.

Even though it was not required, the revenue team developed, for their use, a breakdown of processes to be reengineered under each of the increments. For example, the functionality "Enhanced Account Revenue" in increment 2.2 (Appendix 3) was broken down into the following processes:

- Regulatory Audit
- Violation Billing for Late File/Money/Broker, No File
- Coordination with Tracer/Significant Activity Log
- Interface with Seized Asset and Case Tracking System
- Generate Statements/Bills for Duties, Taxes, Fees, Interest, Violations, Fines, Penalties
- Query and Generate Additional Statistical Reports
- Create Additional Chief Financial Officer Reports
- Transmit and/or Receive Financial Data to/from Federal Agencies Central Trial-Balance System
- Transmit and/or Receive Financial Data to/from General Ledger
- Interfaces with ACS for Revenue Processing

On September 20, 2002 we provided the revenue breakdown to CMO management as an example of the level of detail necessary for an IAM. Using the ACE Program Implementation plan and the work detail provided by the revenue PAT, we found that less time is allocated to review required processes under increment 3.

Table 1

Increment/ Release	Days to Reengineer Processes	Number of Process Per Increment	Average Number of Days to Reengineer Each Process
1.2	132	9	14.7
2.1 and 2.2	187	22	8.5
3.1 and 3.2	195	45	4.3
4.1	195	10	19.5

Allowing less time to review processes may affect deliverables by not providing the detail expected and needed. If scheduled work is not completed there is a potential of work being pushed into other increments, which could result in a schedule problem. In addition, having a detail of processes to be reviewed for each of the functionalities will help management to view where staff and cost should be allocated.

Recommendation

The Commissioner of Customs should require the contractor to prepare and maintain, in sufficient detail, an Increment Allocation Matrix.

Management Response: Customs concurs with our recommendation and stated that the IAM is being elevated to a work product to be maintained and further updated. The CMO will collaborate with e-CP to define and capture the proper level of detail in the IAM. The IAM is scheduled to be updated in March 2003.

OIG Comment: The actions taken and planned by Customs satisfy the intent of our recommendation.

Finding 2

Web Portal Delay Hinders Communications

The CMO web portal was not available to all contractor and CMO employees who need it. The purpose of the portal is to enable authorized access to Modernization Program information maintained in various systems, tools, and documents, including the Program Management and Reporting System, the Requirements Management System, the Enterprise Architecture Repository, the System Development Environment, the System Test Environment, the deliverable documents and reports for all Delivery/Task Orders. The portal will allow Customs and contractor employees to review the status of work and communicate information related to ACE development among the four key locations where ACE development work is conducted (Customs Headquarters and Reston, Springfield, and Alexandria, Virginia).

The ACE contract was awarded on April 27, 2001 and the prime contractor started the initial work on August 13, 2001. Task Order 2-7 required the delivery of the CMO Web Portal by December 20, 2001. In our prior audit[1] we reported that as of March 2002, the CMO Web Portal had not been delivered to Customs. Our current audit found that, as of September 2002, the CMO Web Portal was not fully deployed. Therefore, the portal was not available to all ACE development employees and did not contain all needed information.

The CMO web portal was not available to assist PATs in capturing information related to stages of work. The PATs were functioning independently, sharing status of work with other PATs but not core group best practices. The portal could be used to resolve identified communication problems. Common communication issues for the PATs included:

- Meeting times were not always communicated to all participants.
- PAT meetings conflicted for SMEs participating in multiple teams.
- Agendas were not always provided to assure effective meetings.
- Lack of working session documentation to share available information with other PATs.
- PAT best practices were not always shared.
- Meeting minutes were not always in sufficient detail.
- Lack of white papers on subjects of recurring discussions.
- Changes in leadership between increments hampered continuity of process documentation.

The web portal is needed to help avoid duplication of effort and to help maintain consistency. Currently, contractor and Customs personnel working on the ACE project must commute between the four different locations for meetings. Making the Web Portal available to access information such as, schedules, agendas, meetings, lessons learned, white papers and other information, would allow teams to reference material for future task order

---

[1] Customs ACE Program Management: ACE Development at Risk From Incomplete Management Systems (OIG-02-102) dated July 9, 2002.

requirements, have access to documents prepared by other PATs, and provide continuity of the project during rotation of SMEs and contractor personnel.

Recommendation

The Commissioner of Customs should ensure that the CMO Web Portal is available to Customs and contractor staff where ACE development work is being conducted as required by the contract and that it is populated with the necessary information.

<u>Management Comments.</u> Customs concurs with our recommendation and stated that the availability of the CMO Web Portal to the rest of the eCP and CMO population is scheduled for late January 2003. Customs has established a Content Management Working Group compromised of eCP and CMO representatives to oversee, add, update, improve, and validate CMO Web Portal content on a continuing basis. Customs expects to have actions completed in February 2003.

<u>OIG Comment.</u> The actions taken and planned by Customs satisfy the intent of the recommendation.

Finding 3
Reengineering Is Needed With Federal Agencies Participating in ACE/ITDS

A multi-agency reengineering effort has not been performed to establish requirements for the development of ACE/ITDS. Subsequent to Customs high-level reengineering efforts and the award of the prime contract, three major events occurred which effect Federal requirements for ACE. First, Customs was given the responsibility for integrating ITDS into ACE. Second, the events of September 11, 2001 made anti-terrorism a new priority for Customs. Third, Customs and several agencies participating in ITDS will be transferred into the new Department of Homeland Security.

The vision is for ITDS to be the single Federal portal for the electronic collection, use and dissemination of the international trade and transportation data on all cargo entering and leaving the

United States. Customs has identified 101 Federal agencies and offices with an interest in ITDS data. At the time of our audit, Customs and eCP were working with 17 bureaus in 5 departments and 3 independent agencies to help capture requirements for ACE/ITDS. Customs and the participating government agencies (PGA's), will determine mandatory import and export declaration data requirements. The ITDS Board of Directors is responsible for deciding the direction for development of ITDS for the Government as a whole. The Board recommends reallocation of existing resources as part of coordinating the development process. Currently, the charter for the Board is being reviewed to reflect the integration of ITDS into ACE.

It is critical that agencies come forward with their requirements for the ACE/ITDS system during development to ensure that each agency can operate effectively. Customs is attempting to gather requirements for the ACE/ITDS from other government agencies. However, not all of the agencies affected by the new system have provided their requirements. Neither Customs nor the ITDS Board of Directors can compel effected agencies to participate. A risk identified by eCP states, "If PGAs do not provide the necessary management and resource support for the ACE/ITDS integration then they will not be able to participate in ACE within the earliest timeframe."

ACE/ITDS functionality needs to be reengineered jointly with the participation of all Federal agencies that will use ACE information. This will allow eCP to establish current definitive requirements for user agencies prior to system development. If reengineered requirements are not established during system development it may reduce the effectiveness for affected agencies and create the need for costly system modifications in the future.

Recommendation

The Customs Chief Information Officer in coordination with the ITDS Board and the Treasury Assistant Secretary for Management and Chief Financial Officer should request OMB to issue a notice to all Federal organizations that collect, use or disseminate information on cargo entering and leaving the US. This notice should:

- Inform agencies that after deployment, ITDS will be the sole source of data on cargo crossing the border.
- Encourage participation in ITDS reengineering.
- Require the collaboration of all agencies for ITDS by the close of task order 5.

<u>Management Comments.</u> Customs concurs with our recommendation and stated that they intend to stress to OMB that it is critical to mandate that all applicable agencies become involved in the integration of ACE and ITDS. On January 9, 2003, Customs meet with the ITDS Board to present our recommendation.

<u>OIG Comments.</u> The actions planned by Customs satisfy the intent of the recommendation.

Other Issues

Two issues were identified which were beyond the scope of this audit. We will consider reviewing these areas in depth in future audits. However, they are included herein for your information.

Customs Subject Matter Experts (SMEs)

There were indications that improvements were necessary in the staffing, utilization and management of SMEs. There are competing needs for SMEs between concurrent activities. Also, the SMEs need to efficiently access expertise throughout Customs. The two new positions in the CMO, (1) Business Executive and (2) Team Lead-Subject Matter Expert and Security Management, could provide management needed in this area.
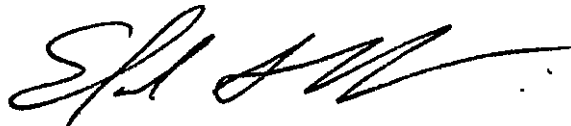
Risk Associated with Program Schedule

In our prior audit (OIG-02-102) we stated that the major long-term risk to ACE development would be a continued emphasis on schedule over quality and completeness. Our current audit found indications that the continuing aggressive ACE schedule is affecting the quality of work products. Many work requirements for ACE development are scheduled simultaneously. This creates a risk that a work product dependent on the results of another work

product could require additional work once results are known. Therefore, the work schedule or the quality of the work could be adversely affected. Sequential work products with overlapping schedules require closer oversight to assure that quality is not compromised.

* * * * * *

I appreciate the courtesies and cooperation provided to my staff during the audit. If you wish to discuss this report, you may contact me at (202) 927-5007 or Gene Wendt, Audit Manager at (713) 706-4611 ext. 242.

Edward G. Coleman
Director, Information Technology Audits
Office of Inspector General

The objective of this audit was to determine whether the Customs commercial processes were appropriately reengineered prior to ACE software development. To accomplish this objective, our audit work included:

- Interviews with various Customs and contractor officials at Customs Headquarters, as well as Customs and eCP facilities in Springfield, Reston, and Alexandria, Virginia.

- Review of pertinent plans and documents related to the reengineering of ACE system, such as,
  - Desired Business Results
  - Concept of Operations
  - System Requirements Document
  - Requirement Specification Set
  - System Architecture Process Flows
  - "As-Is" and "To-Be" Process flowcharts

- Meetings with members participating in the PATs for the functional areas of accounts, revenue, selectivity, release/declaration/cargo, external interfaces, and enforcement to determine how processes were being reengineered and requirement specification sets developed.

- Attending trade support meetings held in Fairfax, Virginia. Also, attending various recurring meetings held by CMO, support contractors, and eCP related to ACE development.

- Coordination of our audit efforts with the GAO audits.

- Coordination with OMB.

We conducted the audit from June 2002 through November 2002 in accordance with generally accepted government auditing standards.

ACE Outcomes

1. Enabling account management versus individual transactions

2. Providing the basis for digital data exchange and reliance on electronic transactions and records, greatly reducing manual data entry

3. Incorporating key elements of supply chain security Customs Trade Partnership Against Terrorism into the commercial process

4. Enabling periodic statement billing and payment for commercial accounts

5. Improving and expanding risk management, targeting, and analysis to enhance informed and enforced compliance

6. Providing technology-based support for achieving agency-wide uniformity in policy, procedures, and their implementation at the field level

7. Interfacing seamlessly with PGAs and the trade community

8. Interfacing seamlessly with internal and external legacy applications

9. Providing a secure and centralized information repository

10. Supporting a high volume transaction-processing environment

11. Providing for anytime, anywhere import and export filing and declaration

12. Providing workload management, import status notification, and alerts

13. Making search and retrieval of trade community data easier

14. Streamlining billing, manifest, collections, refunds, and quota filings

15. Using standard data elements across agencies

16. Providing a single window for the trade community and government users

ACE Increment Overview

Increment 1

Release 1 – 1.1
- ACE Infrastructure
- Secure Web Portal
- Account-based access for USCS & 40 Importers
- Initial Account Database
- ACE Reference Files

Release 2 – 1.2
- Initial Account Revenue
- Consolidated Interface for Inspectors
- Automated Truck Manifest
- e-Release for Trucks
- Enhanced Account Management
- Risk Management: Record Inspection findings and perform analysis

Increment 2

Release 1 – 2.1
- Accounts for all Trade types (except Exporters)
- Enhanced Account Management: Hierarchies
- Enhanced Account Revenue
- Bond Management: eBond & Bond Query
- Remaining Truck Release Processes
- Initiate Intellectual Property Rights Database
- Enhanced Risk Mgt: Targeting & Selectivity DB, and Lab findings

Release 2 – 2.2
- Integrated Manifest for all modes of Transportation
- e-Release (and Standard Release) for all modes
- Integrated process for Import Transactions
- Initial Cargo Tracking (In-Bond, FTZ & Warehouse)
- Initial Conveyance Tracking
- License, Permit, Certification Database
- Enhanced Account Revenue
- Enhanced Risk Mgmt: Initial Compliance Assessment

Increment 3

Release 1 – 3.1
- Automated Quota & Visa Mgmt
- Automated AD/CVD
- Bond Sufficiency
- Enhanced Customs Reference Information
- Full IPR Capability
- Enhanced Account Revenue

Release 2 – 3.2
- Automated Entry Summary (including Importer Activity Summary Statement, and Reconciliation)
- Automated Liquidation
- Automated Protest Management
- Enhanced Account Revenue
- Enhanced Risk Mgmt: Electronic Team Review Findings
- Trade Statistics & Reports

Increment 4

Release 1 – 4.1
- Account Management: Exporters
- Full Export Processing
- Multi-modal Manifest
- Automated Mail Release
- Automated Drawback
- Full Conveyance Tracking
- Full Cargo Tracking
- Full Account Revenue Functions
- Full Risk Management

Source: Increment Allocation Matrix V.2.2. April 18, 2002

FTZ = Foreign Trade Zone
AD/CVD = Antidumping / Countervailing Duty

U.S. Customs Service

Memorandum

DATE: **January 27, 2003**

FILE: AUD-1-OP MD

MEMORANDUM FOR EDWARD G. COLEMAN
                                DIRECTOR, INFORMATION TECHNOLOGY
                                 AUDITS

FROM: Acting Director
                             Office of Planning

SUBJECT: Office of Inspector General (OIG) Draft Audit
                             Report on Automated Commercial Environment
                             Business Process Reengineering

Thank you for providing us with a copy of your draft report entitled
"Customs Automated Commercial Environment (ACE) Management:
Improved Management of Reengineering Needed" and the opportunity to
discuss the issues in this report.

In addition to the findings and recommendations, the draft OIG report
raises several issues. Customs Modernization Office (CMO) actions
already taken or underway to address these issues are as follows:

- Subject Matter Expert (SME) Management

    ♦ SMEs are assigned across 12 Integrated Product Team (IPT)
      categories, providing a SME Customs Lead and backup for all
      current ACE business processes. This results in greater
      ownership and commitment to the developed products and a
      more consistent review process.
    ♦ SMEs now follow their areas of assignment across all task
      orders to ensure that there is consistency in the developed
      requirements, decomposition, and design/build activities.
    ♦ The e-Customs Partnership (eCP) recently delivered a new
      SME Plan that is being used to forecast SME resource needs
      across the Program, to determine staffing rotations and
      replacements, and to eliminate conflicting assignments.

TRADITION

★

SERVICE

★

HONOR

- Schedule Risk

    ♦ An Integrated Baseline Review (IBR) takes place about 45 days after task order definition to baseline the approach for fulfilling the task obligations and to provide visibility into aggressive scheduling.
    ♦ A rigorous joint Customs/eCP risk and issue management process has been implemented.
    ♦ A Program Management Reporting System is operational that facilitates the schedule process and considers product interdependencies, complexity, and resource availability.
    ♦ Joint product development collaboration and review teams are in place to identify and address product quality issues early in the process.

The attachments to this memorandum detail the specific actions that have been taken or are being taken to respond to the recommendations as well as several clarifying comments that are intended to improve the factual accuracy of the draft report.

If you have any questions regarding the attached comments, please have a member of your staff contact Ms. Michele Donahue at (202) 927-0957.

Kathleen J. Bell

Attachments

-2-

Finding 2:   Web Portal Delay Hinders Communications

Recommendation: The Commissioner of Customs should ensure that the CMO Web Portal is available to Customs and contractor staff where ACE development work is being conducted as required by the contract and that it is populated with the necessary information.

Customs Response:

Concur. The CMO Web Portal is currently implemented as a pilot project on the eCP network and is accessible from all eCP and CMO work locations via standard web browser. The select pilot group includes 135 individuals from across business functional areas in both eCP and CMO. Availability of the CMO Web Portal to the rest of the eCP and CMO population is scheduled for late January 2003 when it will be loaded with initial Program Management content. A Content Management Working Group comprised of eCP and CMO representatives has been established with direction to provide a dynamic and effective communications management tool for eCP and CMO. This group will oversee, add, update, improve, and validate CMO Web Portal content on a continuing basis.

Target Closure Date: February 2003

Finding 3:   Reengineering is Needed with Federal Agencies Participating in ACE/International Trade Data System (ITDS)

Recommendation: The Customs Chief Information Officer, in coordination with the ITDS Board and the Treasury Assistant Secretary for Management and Chief Financial Officer, should request OMB to issue a notice to all Federal organizations that collect, use, or disseminate information on cargo entering and leaving the US. This notice should:

- Inform agencies that after deployment ITDS will be the sole source of data on cargo crossing the border.
- Encourage participation in ITDS reengineering.
- Require the collaboration of all agencies for ITDS by the close of task order 5.

-3-

Customs Response:

Concur. We agree with the thrust of the recommendation to successfully integrate the requirements in ACE/ITDS for all Participating Government Agencies (PGAs) involved in international trade. We intend to stress to OMB that it is critical to mandate that all applicable agencies become involved in the integration of ACE and ITDS.

Integration activities for the ITDS Board and PGAs must be supported with the appropriate level of resources in order to make this effort effective. The ITDS Board has committed resources to outreach activities to encourage participation in ACE/ITDS. The ITDS outreach effort is an on-going activity of the ITDS Board that will continue throughout the development of ACE/ITDS.

The recommendation requiring the collaboration of all agencies for ITDS by the close of Task Order 5 may be difficult to achieve, given the current changes with the Department of Homeland Security. A more effective approach would be to have agencies identified based on the incremental development timeline for ACE. This would result in an agency integration plan that identifies and addresses the needs of all of the agencies involved in international trade. A major benefit to this approach is the identification of agency contacts that are authorized to commit their agencies and resources to ACE/ITDS integration at the appropriate time.

The OIG Report and recommendation regarding ITDS were presented at the ITDS Board of Directors meeting on January 9, 2003. The next step is to develop specific action plans regarding the recommendation. A final Target Closure date will result from the action plans.

Milestone Date: February 28, 2003
Target Closure Date: TBD

Attachment I   Attachment I

Office of Inspector General (OIG) Draft Audit Report
Customs Automated Commercial Environment (ACE) Management:
Improved Management of Reengineering Needed

Finding 1:   Better Definition of Incremental Expectations Needed

<u>Recommendation:</u> The Commissioner of Customs should require the contractor
to prepare and maintain, in sufficient detail, an Increment Allocation Matrix.

<u>Customs Response:</u>

Concur. We agree that the IAM is a valuable and productive work product that
should be maintained in sufficient detail on a continuing basis. It provides a
summary of system functionality at the incremental level so that programmers
and engineers can understand the totality and intent of the system functionality.

The IAM is currently a key element in support of ACE planning activities. To
address the OIG recommendation, the IAM is being elevated to a work product to
be maintained and further updated within the scope of the Task Order 5
Extension. The CMO will collaborate with e-Customs Partnership (eCP) to define
and capture the proper level of detail in the IAM. The CMO will use the IAM in
conjunction with the ACE Program Plan to establish the scope of business
functionality to be delivered, incremental strategy, development life cycle
methodology, and work breakdown structure. This will: result in better
management of the work to be performed; provide a means to assess whether
agency expectations were met; and assure that quality deliverables have been
sufficiently developed.

The next IAM update is scheduled for submission to the technical review boards
for approval by January 31, 2003. As requirements and business objectives are
further refined, the IAM will be routinely updated to reflect program changes. The
ACE Program Plan is currently scheduled for update by March 7, 2003.

Target Closure Date: March 2003

Attachment II   Attachment II

Office of Inspector General (OIG) Draft Audit Report
Customs Automated Commercial Environment (ACE) Management:
Improved Management of Reengineering Needed

Detailed Comments

Finding 3:   Reengineering Is Needed With Federal Agencies Participating in
ACE/ITDS

(1) Page 10, Paragraph 2, first sentence states that "The vision is for ITDS to be
the single Federal portal for data and statistics on all cargo entering and
leaving the United States." As an important point of clarification, the broader
vision of ITDS is to implement an integrated government-wide system for the
electronic collection, use, and dissemination of the international trade and
transportation data that includes cargo, conveyance, and crew data which
federal agencies need to perform their missions.

(2) Page 10, Paragraph 2, second sentence states that "Customs has identified
101 Federal agencies and offices with an interest in ITDS data." These
agencies were identified as a result of the efforts of the ITDS Board of
Directors and provided to Customs.

(3) Page 10, Paragraph 2, last sentence states that "Currently, the charter for the
Board is being revised to reflect the integration of ITDS into ACE." As a point
of clarification, the ITDS Board is currently reviewing the charter, not
necessarily "revising" the charter.

Edward G. Coleman, Director of Information Technology Audits
George W. Tabb, Regional Inspector General for Audit (Southern)
Gene Wendt, Audit Manager
Carlos Berrios, Auditor-In-Charge
Angela Payton, Computer Specialist
Linda Howarton, Auditor
Christi Staples, Audit Intern
Robert Edwards, Referencer

The Department of the Treasury

Chief of Information Officer
Office of Accounting and Internal Control

U.S. Customs Service

Commissioner
Assistant Commissioner, Office of Information Technology
Director, Modernization Officer
Director, Office of Planning and Evaluations

Office of Management and Budget

Budget Examiner